

Air Service Proposal



Watertown, SD

DOT-OST-2001-10644

January 30, 2019



About Boutique Air

Our Story

Headquartered in San Francisco, California, Boutique Air has been in operation since 2007. We began by flying fire surveillance missions for the U.S. Forestry Service and Bureau of Land Management. We evolved to provide air charter services across the west coast with our fleet of Pilatus and Cessna aircraft. As a charter operator we have received certifications from both industry-leading safety organizations, ARG/US and Wyvern. Boutique Air employs pilots that are highly experienced and hold the most advanced FAA ratings - a key reason for our continued perfect safety record.

In July of 2012, Boutique Air applied for commuter operating authority from the Department of Transportation. We quickly passed tests on financial fitness and management competency, receiving authority for scheduled service in January of 2014. We began flying scheduled service between Los Angeles and Las Vegas in January of 2014.

We have worked to develop effective distribution channels. We have connections in place with all of the major Global Distribution Systems (GDSs), which travel agents use to access the market. You will find us on Worldspan and Galileo (Travelport), Sabre, and Amadeus. In addition, we are on the major Online Travel Agencies (OTAs), including Expedia, Travelocity, Priceline, Orbitz, CheapTickets, and CheapOAir.

EAS Contracts

On April 22, 2014 Boutique Air received its first EAS contract when the DOT selected the airline to provide service between Clovis and DFW. Since then, we have continued our track record of success and now serve 17 different EAS communities and operate out of 32 different airports. Continuing on a path of successful growth in the EAS market, Boutique Air began service to Johnstown, PA and Victoria, TX in November of 2018.



What People Are Saying About Boutique Air

*Boutique Air PC-12, one of the **best turboprop aircraft** on the market!... Give them a try!!*

-Tarek A. via Yelp.com

*We also feel that the PC-12 aircraft bid by Boutique Air presents the **safest and most comfortable option for the traveling public.***

-Hon. Mayor David Lansford in Recommendation Letter
City of Clovis, NM

*Flew with Boutique from LA to Vegas and back and must say I was extremely surprised. From the ease of check-in, To the flight itself, **the whole process was great.** Price was competitive with any other airline out there. I plan on flying boutique for all my Vegas outings, and may even look into renting the whole plane for a group trip. Thanks Boutique!*

-Kevin J. via Yelp.com

*We find that Boutique Air is fit, willing and able to operate as a commuter air carrier, and **capable of providing reliable Essential Air Service...***

-Susan L. Kurland in Clovis EAS Award
Asst. Sec. for Aviation and International Affairs
US DOT

*Right now Boutique Air is a **very cool secret.***

-Examiner.com

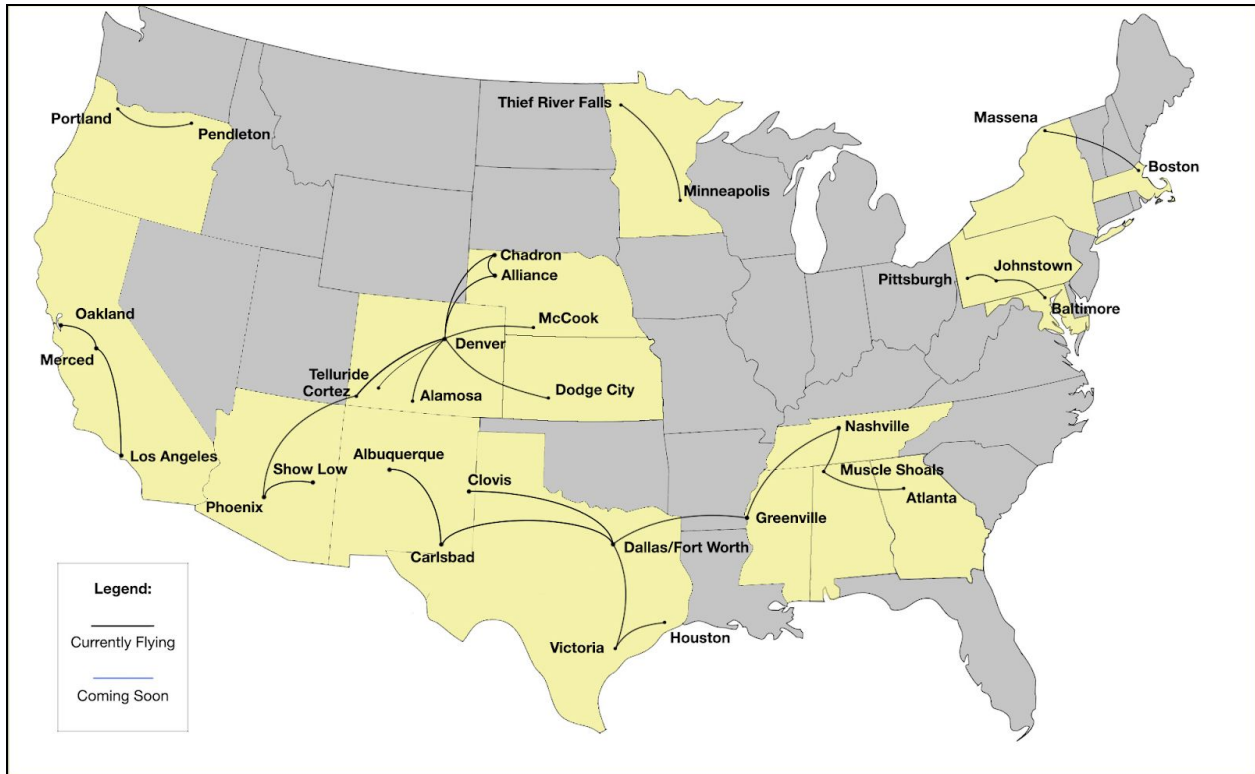
*Flew with Boutique Air from LA to Las Vegas round trip and it was a great experience. **Good service, on time departures, and a hassle free and nice way to travel** in general. A really nice pilot and copilot as well.*

-Patrick S. via Yelp.com

***Smooth flights and personable staff** are part of the experience...*

-Clovis News Journal

Route Map



Aircraft:

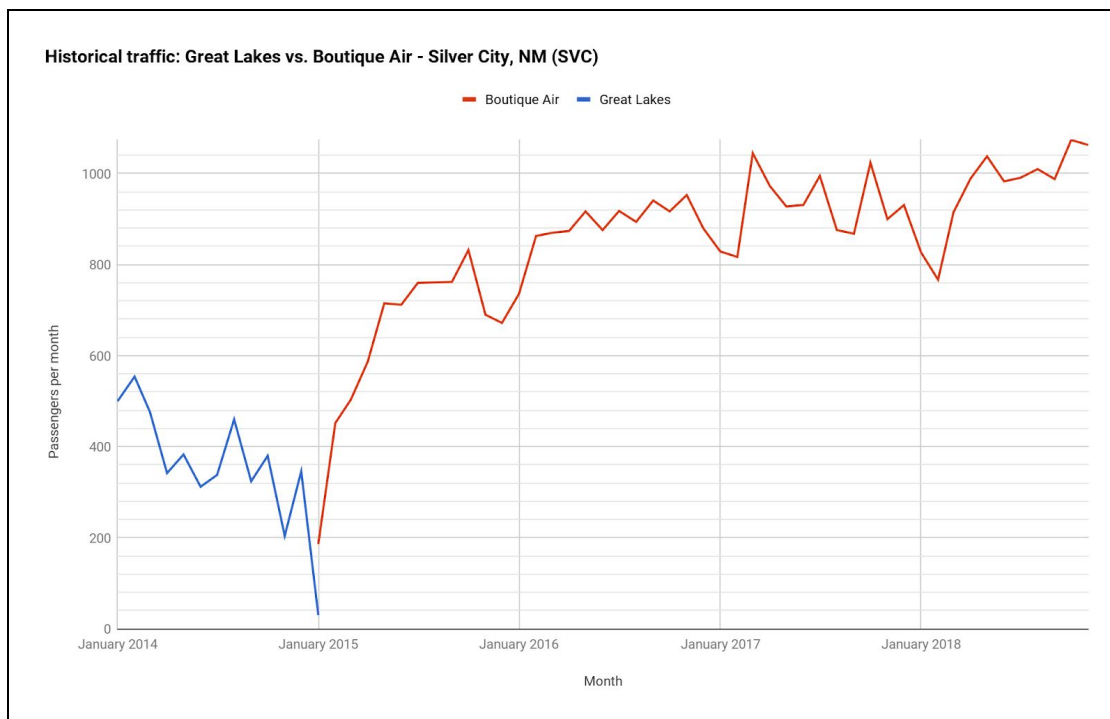
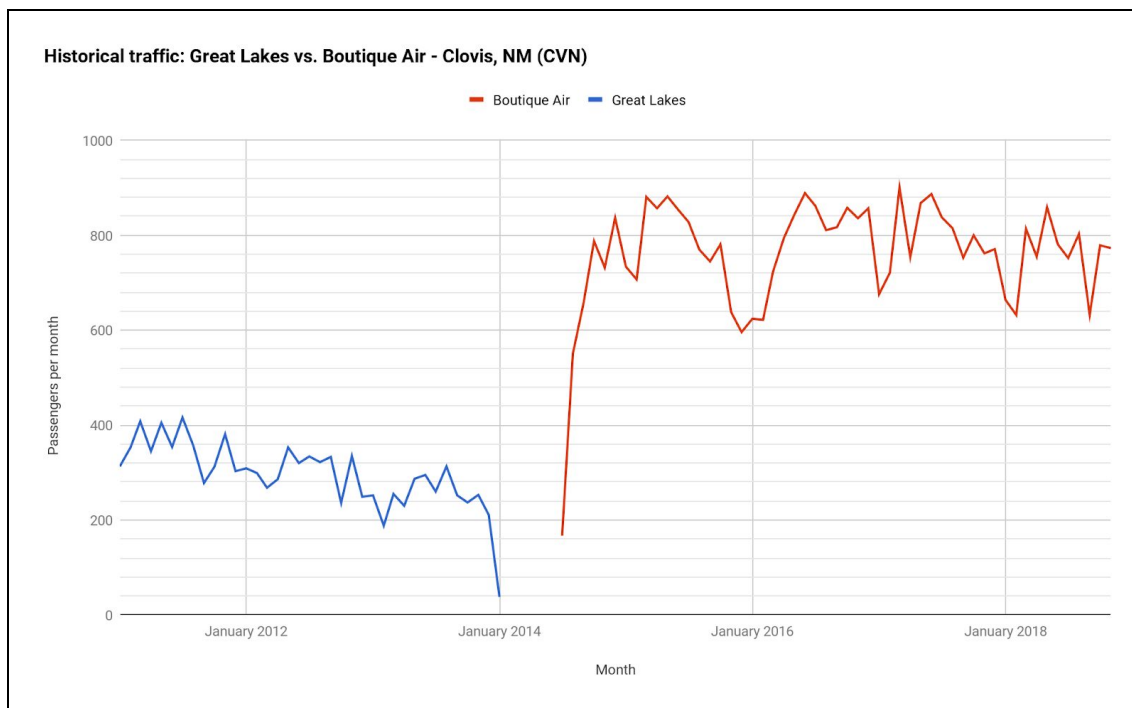
Boutique Air currently operates a modern fleet of Pilatus PC-12 and Beechcraft King Air 350 aircraft. All flights are flown by Captains with over 1,200 hours of flight experience and an instrument rating. While we are certified to fly single pilot we opt to fly with a two pilot crew. Boutique Air ensures pilots provide a level of customer service beyond that of normal commercial airlines.

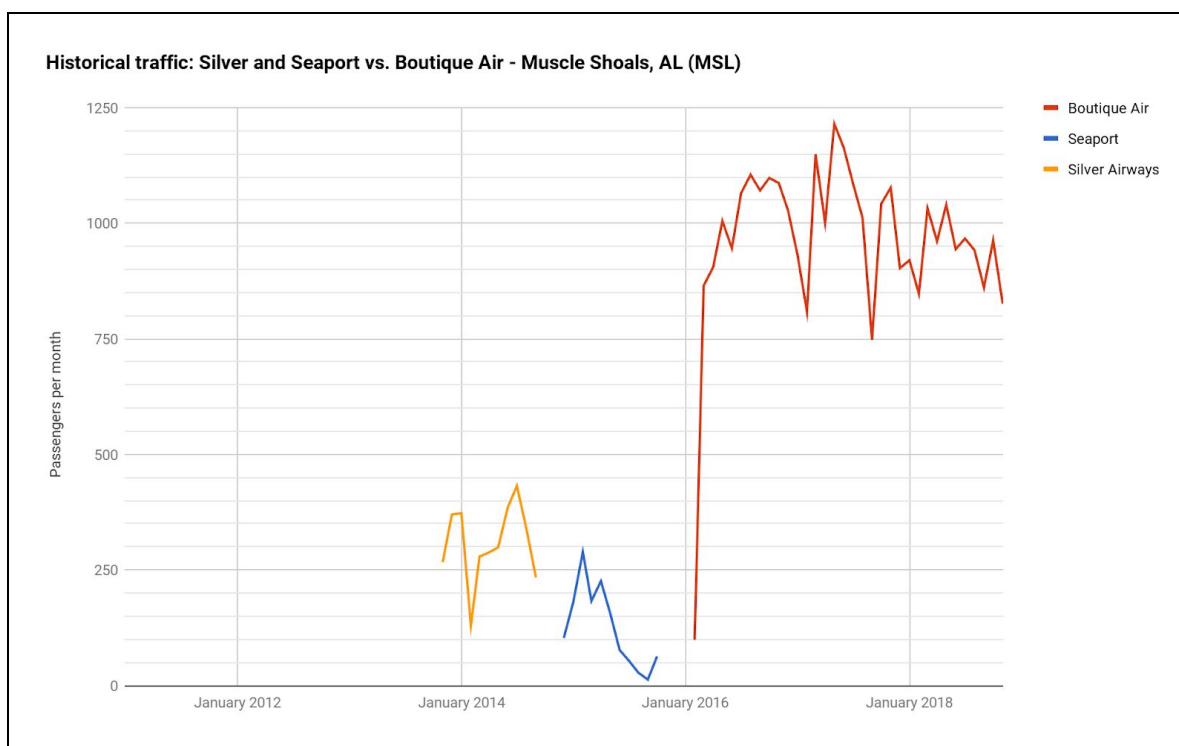
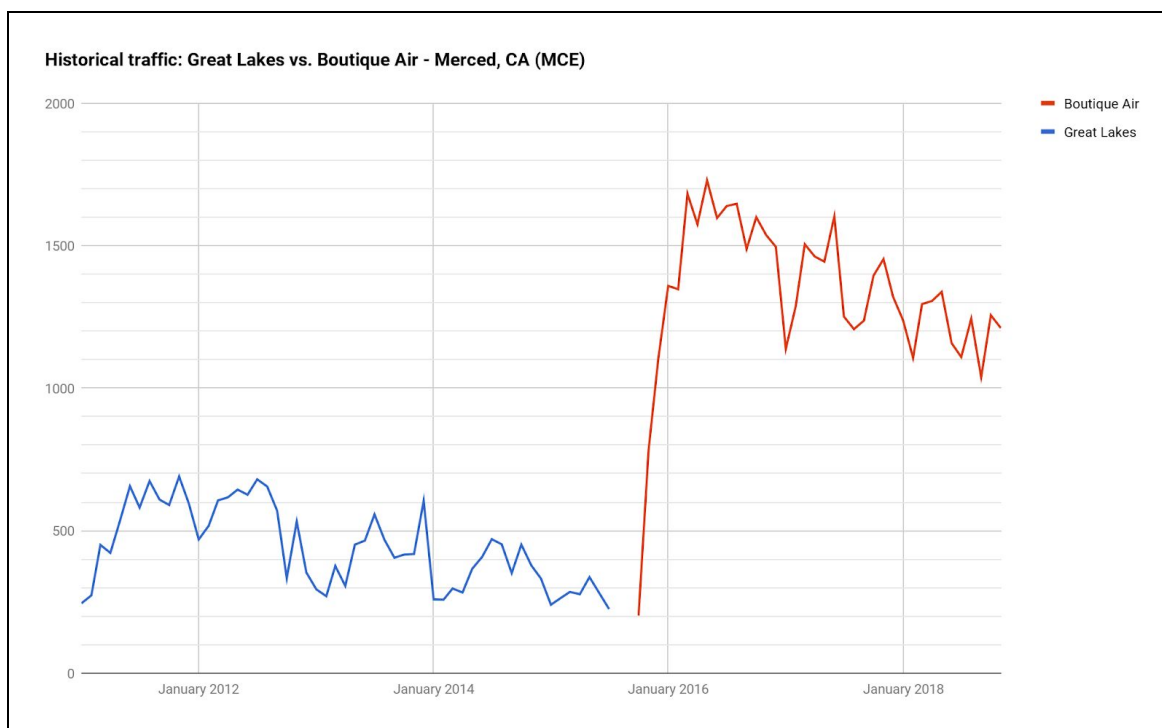
- 8 Passenger Executive Configuration or 9 Passenger Commuter Configuration
- Pressurized Cabin
- Power Outlets
- Enclosed Lavatory



Historical Passenger Traffic Performance

Boutique Air has established a proven track record in resuscitating air service in EAS communities which have been devastated by poor execution from prior carriers as illustrated by the passenger traffic graphs below.





Note on Codeshare, Interline and MileagePlus Frequent Flyer Agreements

Boutique Air launched its interline agreement with United Airlines in May 2017 and its codeshare agreement in May 2018. Customers have flow-through ticketing and baggage capabilities for those flights that connect with United Airlines.

Passengers are also able to book through United.com and connect with any of United's flights at our mutual hubs.

Boutique Air also participates in United Airlines' MileagePlus Frequent Flyer Program. Passengers can earn and redeem award miles on all Boutique Air flights.

Boutique Air is also proud to announce that it launched an interline agreement with American Airlines in December of 2018.

(Image of codeshare fares currently available from TVF through MSP on United.com)

Departure: Thief River Falls, MN, US → New York/Newark, NJ, US

Fares are for the entire one-way trip, per person, and include taxes and fees. Additional bag charges may apply.

Sat 3/23 \$365	Sun 3/24 \$365	Mon 3/25 \$365	Tue 3/26 \$365	Wed 3/27 \$365	Thu 3/28 \$365	Fri 3/29 \$365
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☒ With stops \$365
 Choose connecting airports

Depart
Arrive
Stops
Duration

Economy

10:10 am
4:17 pm
1 stop
5h 7m

Details
Seats

\$365

Includes Travel Operated By Boutique Air, Republic Airlines

Select

6 tickets left at this price

MileagePlus earnings (each way, per person):

Base award miles
PQM | PQS | PQD

1,265
1,008 | 1 | \$319

Thief River Falls, MN, US (TVF) to Minneapolis/St. Paul, MN, US (MSP)

10:10 am - 11:25 am (1h 15m)

UA 2980 | Pilatus PC-12

Operated By Boutique Air

Economy (Q)

1h connection

Minneapolis/St. Paul, MN, US (MSP) to New York/Newark, NJ, US (EWR - Liberty)

12:25 pm - 4:17 pm (2h 52m)

UA 3658 | Embraer ERJ-175

Operated By Republic Airlines DBA United Express

United Economy (Q)

Snacks for Purchase

Wi-Fi

Proposal

Overview

Our proposals would be flown in eight or nine-seat, modern, pressurized Pilatus PC-12 or Beechcraft King Air 350 aircraft.

In order to increase brand recognition in Watertown, Boutique Air will spend at least \$20,000 per year if it is selected for advertising & marketing to help ensure that air service for the community is a success. We will utilize a combination of radio, print, billboard, TV, and internet advertising.

Note on Service Start Date

Boutique Air will begin service 30-60 days after the DOT issues the order selecting Boutique Air as the EAS carrier. Boutique Air will start service as early as operationally possible and will coordinate with the community to minimize the existing service interruption.

Community Input

Shortly after the bids are complete, Boutique Air will schedule meetings with airport and/or city officials. This will allow us to answer any questions and provide additional information.

While we can't promise we will be able to implement everyone's suggestions, we welcome feedback from the community, as well as anyone who may have an interest in the proposed flights. What we can promise is that we will listen to your feedback, and give it the attention and consideration it deserves.

With respect and appreciation,

Shawn Simpson
CEO



Watertown, SD**Option 1: 30 Weekly Nonstop RTs ATY - MSP (5 Daily RTs)**

Operations	<u>PC-12</u>	<u>King Air 350</u>
Scheduled Flights	3,120	3,120
Completed Flights (98%)	3,058	3,058
Scheduled Block Hours	3,796	3,328
Scheduled Seats	24,960	28,080
Scheduled ASMs	4,817,280	5,419,440
Revenue		
Passengers	20,218	20,779
Average Fare	\$65	\$69
Fare Revenue	\$1,314,144	\$1,433,765
Total Revenue	\$1,314,144	\$1,433,765
Expenses		
Fuel	\$882,570	\$1,397,760
Ownership	\$960,000	\$960,000
Maintenance and Reserves	\$1,637,974	\$1,956,831
Crew	\$699,648	\$822,720
Airport Rent	\$99,600	\$99,600
Landing Fees	\$53,634	\$76,986
Staff	\$139,750	\$139,750
Insurance	\$20,000	\$20,000
Marketing and Distribution	\$20,000	\$20,000
Other Indirect Costs	\$180,248	\$162,464
Total Costs	\$4,693,424	\$5,656,111
Profit Element	\$234,671	\$282,806
Margin	5.0%	5.0%
Total Annual Subsidy Year 1	\$3,613,951	\$4,505,152
Total Annual Subsidy Year 2	\$3,704,299	\$4,617,780



Watertown, SD

Option 2: 36 Weekly Nonstop RTs ATY - MSP (6 Daily RTs)

Operations	<u>PC-12</u>	<u>King Air 350</u>
Scheduled Flights	3,744	3,744
Completed Flights (98%)	3,669	3,669
Scheduled Block Hours	4,555	3,994
Scheduled Seats	29,952	33,696
Scheduled ASMs	5,780,736	6,503,328
Revenue		
Passengers	21,565	23,587
Average Fare	\$65	\$69
Fare Revenue	\$1,401,754	\$1,627,517
Total Revenue	\$1,401,754	\$1,627,517
Expenses		
Fuel	\$1,059,084	\$1,677,312
Ownership	\$960,000	\$960,000
Maintenance and Reserves	\$1,965,569	\$2,348,197
Crew	\$839,578	\$987,264
Airport Rent	\$99,600	\$99,600
Landing Fees	\$64,360	\$92,383
Staff	\$139,750	\$139,750
Insurance	\$20,000	\$20,000
Marketing and Distribution	\$20,000	\$20,000
Other Indirect Costs	\$209,098	\$187,757
Total Costs	\$5,377,039	\$6,532,263
Profit Element	\$268,852	\$326,613
Margin	5.0%	5.0%
Total Annual Subsidy Year 1	\$4,244,137	\$5,231,359
Total Annual Subsidy Year 2	\$4,350,240	\$5,362,142